

KENT COUNTY WATER AUTHORITY

MINUTES OF THE MEETING OF THE BOARD

October 17, 2013

A regular meeting of the Board of Directors of the Kent County Water Authority was held on the 17th day of October, 2013, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Chairman Boyer opened the meeting at 3:30 p.m. Chairman Boyer, Board Members Vice-Chairman Masterson, Mr. Gallucci, Mr. Inman and Mr. Giorgio were present together, along with the General Manager/Chief Engineer Timothy J. Brown, legal counsel Patrick J. Sullivan, Esq., Rate Counsel Robert Watson as well as Finance Director Jo-Ann Gershkoff, Mr. Duscheneau and Mr. Simmons. Mr. Inman led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting of September 19, 2013 were presented for approval. Mr. Giorgio moved passage, seconded by Mr. Gallucci and the minutes were unanimously approved.

Director of Finance Report:

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report. Statement of Cash Location FY 2012-2013 and Cash Receipts and Disbursements FY 2012-2013 as of August 31, 2013 attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Gallucci moved and seconded by Mr. Giorgio to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the financial report and Statement of Cash Location FY 2012-2013 and Cash Receipts and Disbursements FY 2012-2013 as of August 31, 2013 attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege & Communication

There was no discussion on this matter.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

Division Hearing – Service Availability – Appeal –

General Manager reports that the appeal of IN RE: DOCKET NO. D-111-45 COMPLAINT FILING BY GREGORY M. DECUBELLIS AGAINST THE KENT COUNTY WATER AUTHORITY remains in the Superior Court for Providence County. The matter is finally before the Judge. The General Manager cites the decision as an important one in light of the recent boil water advisory.

642 Washington Street, Status of Engineering Review – Action to Date

General Manager Brown reports that Mr. Sullivan will cover this topic in legal matters. He indicated that the engineers for COLBEA as well as our engineers were speaking about the construction.

Review KCWA Organizational Structure/Strategic Plan Update

General Manager Brown next discussed the strategic plan that was attached to the General Manager's report. He indicates that the strategic plan is behind as a result of the response to the boil water advisory. The plan will be delivered to the members prior to the next meeting and the board can then add and/or subtract to/from the plan. It will be in outline form and it will discuss the future of the system. He added that he believes the KCWA should move to a corporate type structure and believes we can do the analysis in house.

Payroll Review

General Manager Brown again recommended that this matter be postponed until another meeting. The board had made a commitment to look at this issue in September but the boil water advisory had consumed the efforts of most employees.

Review OPEB Actuary Report

Mr. Brown update the board on the OPEB Actuary Report. He advised the board that this update is done every three years. Mr. Brown indicated that the report was sent out to all members. He goes on to report that the annual required contribution for the KCWA is \$617,611.00. He adds that this OPEB disclosure was added as a GASB standard, or an accounting standard, years ago. He adds, however, that the KCWA funds the OPEB on a pay as you go basis, with that amount being \$107,000.00 each year. Mr. Brown further advises that the KCWA still has no authorization from the PUC to fund the OPEB obligation except a pay as you go basis.

Open Position – Recommendation to Hire

Mr. Brown indicates that the position that was open last meeting remains open. He recommends to the board that the KCWA make a conditional offer of employment to Mr. Brian Galinski, with the attendant two (2) years of a probationary period at the entry salary level.

Mr. Inman moved, seconded by Mr. Masterson, extend a conditional offer of employment to Mr. Brian Galinski, with the attendant two (2) years of probation and all other conditions as set forth by the General Manager.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the KCWA approves the extension of a conditional offer of employment to Mr. Brian Galinski, with the attendant two (2) years of probation and all other conditions as set forth by the General Manager.

FY 2013 Coverage Test

The General Manager indicates the authority has done well since the last rate case, and reports that the reserve fund has not been touched as of the meeting. He reports that the FY 2015 results in an estimated surplus of \$32,000.00, which is slim. He reports that it is getting tight with revenue versus expenditures.

Wakefield Street Hydraulic Modeling – Ratify C & E Contract for Service

Mr. Brown indicated this is the tank that was the subject of the boil water advisory. He continued that this caused the KCWA to look at the modeling of the system. He added that the Wakefield St. tank is coming to the point of its useful life. He adds that the Chairman has asked the board to ratify the contract with C & E in the amount of \$10,745.00. He reported that everything will be looked at, and perhaps the control valves may be salvaged. He urged the need for the hydraulic analysis.

He went on to say the KCWA has eliminated non useable tanks in the past.

Mr. Masterson moved, seconded by Mr. Gallucci, to ratify the contract authorized by the Chairman for C & E Engineers in the amount of \$10,745.00 to provide Wakefield St. Tank hydraulic modeling.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the KCWA approves and ratifies the contract authorized by the Chairman for C & E Engineers in the amount of \$10,745.00 to provide Wakefield St. Tank hydraulic modeling.

System Chlorinators – Ratify C & E Contract for Service

Mr. Brown identified another issue that has him greatly concerned. He reported that the Providence Water Supply Board (“PWSB”) has greatly reduced the chlorine residuals in the Clinton Ave pump station. He advised the board that the KCWA is the first customer, but since their construction has re-routed the water all around Providence, it has reduced the chlorine residuals. There is a large cut of approximately sixty (60%) percent of chlorine residuals.

Chairman Boyer identified this as a major concern for KCWA. Mr. Brown indicated that he spoke to the Dept. of Health and requested to put emergency chlorinators in; he awaits approval. In connection therewith, however, he recommends the board ratify a contract with C& E Engineers to seek approvals and install these chlorinators, in the amount of \$14,741.00.

Mr. Masterson moved, seconded by Mr. Gallucci, to ratify a contract with C & E Engineers to seek approvals and install these chlorinators, in the amount of \$14,741.00.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the KCWA approves and ratifies the contract authorized by the Chairman with C & E Engineers to seek approval and install these chlorinators, in the amount of \$14,741.00.

CAPITAL PROJECTS:

CIP 1C Mishnock Well Treatment Plant and CIP 1B Mishnock Transmission

The General Manager reports the plant’s fire alarm system was to be hard wired to the Central Coventry Fire District. According to their regulations, CCFD requires that the building and components be radio alarmed. He reported that KCWA has no choice even though they approved the hard wire schematic.

Mr. Inman moved, seconded by Mr. Masterson, to approve C.O. #5 in the amount of \$9,765.00 to install a fire alarm transmitter as required by Central Coventry Fire District.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That C.O. #5 in the amount of \$9,765.00 to install a radio fire alarm transmitter as required by Central Coventry Fire District is hereby approved.

INFRASTRUCTURE PROJECTS

IFR 2010A O’Donnel St. West Warwick Business Park

Mr. Brown reports the subcontractor has finalized the paving. Cardi Corporation is the subcontractor.

IFR 2010B Prospect Hill (Construction Status)

The General Manager informs the board that bypass piping is moving along with the active installation of mains. He requests the board approve C.O. # 2 for \$138,908.00 for installation of the Lancelotta Street extension.

Mr. Gallucci moved, seconded by Mr. Masterson, to approve C.O. # 2 for \$138,908.00 for installation of the Lancelotta Street extension.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That C.O. # 2 for \$138,908.00 for installation of the Lancelotta Street extension is hereby approved.

Apponaug Circulator Water Main Replacement (Status)

Mr. Brown indicates that the design was completed and forwarded to the RIDOT for inclusion into their contract. He expects the IFR funds to be set aside for 2014 construction year.

Boil Water Advisory

The General Manager spoke about the recent boil water advisory. He indicated that he sent out a report, with an update, to the members of the board. Mr. Brown indicated that he was at a meeting with the Department of Health yesterday regarding the boil water advisory.

Mr. Brown indicated that the Kent County Water Authority did meet all the notification rules. It met the 24-hour rule as well as a 24-hour state regulation. He indicated that the authority had everything out to the press within a six to seven hours. This event occurred on a weekend but, contrary to some reports, the notifications were well within the guidelines and regulations.

Mr. Brown indicated that the Wakefield Street tank was already hydraulically locked up on September 4, 2013. This occurs when the pressure on the system side exceeds that on the tank side. The valve shifts and closes, stagnating the tank. In addition, the chlorine level was low because the water was simply not moving in the tank. The aqueduct repairs being conducted by the Providence Water Supply Board had reduced the chlorine in our system by a significant amount, approximately sixty (60%) percent. The tank samples that were done on the Monday following the weekend discovery came back negative.

There were a series of inspections that coincided with the investigation into the cause of the advisory by the KCWA. The Quaker Lane booster station is somewhat isolated, but met all protocols. There was nothing found to indicate that this booster station was a source of the contamination. The Clinton Avenue pump station is a direct feed to the Wakefield Street tank. That pump station was inspected. There was no reason to believe the contamination came from the Clinton Avenue booster station after testing the samples.

As the system was dissected, no sources of contamination were discovered. Even when the diver entered the tank the day after the discovery, the hatch was found locked, the screen was found intact and there were no feces anywhere on the tank. Furthermore, there were no cuts in

the fence that surrounded the tank so the only entry into the secured area would be from above.

As a result of the violation by the Department of Health, a level II assessment of the whole system was conducted at the request of the Department of Health. They have no staff to do it so KCWA completed it on its own. The findings were very clear. The Wakefield Street tank had stagnated water in it. Routine samples are taken every month and found the stagnation. It's important to note that the routine samples are not required. The 60% reduction of chlorine from the Providence Water Supply Board forced the KCWA to add chlorine manually.

In addition, demand for water is down. September 2013 is the second lowest demand ever seen by the authority. As of late, the authority has been setting records for low demand. This low demand inhibits movement of the water in the system, and its ensuing stagnation, especially combined with reduced chlorination. The general manager also predicted that demand will not return. There has been a paradigm shift in this country to reduce demand for water, including such things as low consumption usage, appliances, and toilets.

Mr. Brown added that the old model of filling the tanks at night and then pressure drain them can no longer be the way the authority delivers water. The delivery system will change from a simple fill and draw gravity system to a pump combination of both. This will move the water more frequently throughout the system to watch demand. He further indicated that we have eliminated six storage tanks in the system. Preliminary hydraulic modeling, however, indicates that the Wakefield Street tank is currently obsolete.

Mr. Inman sought clarification and asked Mr. Brown whether, by the process of elimination, the ultimate conclusion was that the Wakefield Street tank was probably the source of the contamination, combined with the stagnation plus the heat of summer, to cause it. Mr. Brown agreed, adding that the elimination of the Wakefield Street tank and forcibly make tanks move more water should eliminate the problem. He went on to say that this was the conclusion of the preliminary modeling.

Chairman Boyer asks if he is accurate stating the water sales are down by twenty-five (25%) percent by volume. After the General Manager confirms the accuracy, Chairman Boyer adds that this fact contributes to the stagnation. Mr. Brown confirms since 2007, the economy has faltered. The downturn of the economy, the foreclosed houses, empty strip malls, conservation low flow toilets, etc. all contribute to declining demand. Furthermore, pharmaceutical manufacturer Amgen's demand, is much less than they anticipated.

Mr. Brown adds that the conversation is a double edged sword, Demand changes, but not our infrastructure. He adds that VFD pumps will operate to sustain the pressure and the flow.

Mr. Inman asks Mr. Brown if other water districts are going through the changes KCWA is. Mr. Brown agrees.

Mr. Brown reported to the board that the Governor had asked the Emergency Management Agency ("EMA") to get involved in the community notification in the event of future boil water advisories, or even contaminations. Mr. Brown stressed that not only did

authority customers need to be notified, but visitors, hotel guests, restaurant guests, and the like, who visit the area served by the authority. He recommended the board embrace the EMA involvement. He indicated that the PUC as well as the Department of Health all are to be involved. He added there is to be training and dry runs conducted. He added that there was another boil water advisory issued by another water system since the KCWA, so this notification system has value.

Mr. Inman queried about the cost of the system. Mr. Brown indicates there is no cost, and the system is already in place.

Mr. Boyer commended the staff of the KCWA. He added that the phones were ringing off the hook, and people had questions that were answered by staff. He said there were a few hot heads, but that is to be expected. He commended the team effort.

Audit Review – Braver PC

Mr. Wilkinson, CPA/CITP from Braver, PC, Accounts and Advisors appeared before the members to report on the annual audit. He reports on revenues of \$19.8 million dollars with expenses of \$12.06 million dollars. He went onto discuss net assets, bond refinancing, and retiring debt of \$2.3 million dollars. Mr. Wilkinson indicated that although there was a good job done during the audit, there was an obvious void with an absence in the accounting area.

Chairman Boyer asked if there were any projections? Mr. Wilkinson replied that accounting standards are changing that may show more things as a liability on financial statements. He added that the KCWA isn't making the annual required contribution to the pension, but conversely it is funded and healthy.

Mr. Gallucci asks about the impact that bonds have as part of the audit. Mr. Wilkinson replies that all retirement of debt for KCWA is in ten (10) years, and that is a good term of repayment rather than putting it out further in the future.

LEGAL MATTERS

Legal Counsel Mr. Sullivan reported that there was progress with the principals from COLBEA Enterprises regarding the water line and contaminated soil at 642 Washington Street. He reported that Mr. Brown covered the issue in the General Manager's report.

Mr. Sullivan also updated the Board regarding the receivership of the Commerce Park Properties at the Centre of New England. There were numerous hearings before the Superior Court business calendar, with Mr. Cambio fighting the efforts rather vigorously. Mr. Sullivan reported that the receivership settled with Universal Truck and Equipment, Mr. Cambio's maintenance company, retaining the landscape construction contracts under the common area maintenance agreements for a short period of time. That was written into an agreement and the receiver took control over all books and property of Commerce Park Management LLC.

Mr. Sullivan reported to the board that the Green View Condominium easement was

resolved and he awaits the recorded original easements.

Next, Mr. Sullivan reports that there has been no activity with the CCFD receivership. Mr. Brown expressed frustration with the amounts owed, and that it was growing. There was a budget vote scheduled, and he reported that the Receiver reported to him that if the budget passes, and the remaining accounts receivable come in, there should be more than enough to pay the Town of Coventry's loan of \$300,000.00 and the KCWA. Mr. Sullivan promised to monitor the claim of KCWA.

Lastly, Mr. Sullivan reports he was at an impasse with the 55 Sandy Bottom Road matter. There had been a meeting with Attorneys Callaghan and staff. The ultimate result is a request by the attorneys to delay compliance with the master meter regulations until the sale of the property, which was denied. Mr. Sullivan sent a shut off notice at the request of the board, and as a result thereof, the respondent filed an appeal with the Division.

Executive Session – 42-46-5 (a)(1) relating to discussions of the job performance, character, or physical or mental health of a person or persons.

Mr. Giorgio moved and seconded by Mr. Masterson that the board move into executive session for discussion of job performance, character, physical or mental health pursuant to RIGL 42-46-4 and 42-46-5(a)(1)

Upon Motion duly made and seconded, it was unanimously, by roll call vote,

VOTED: That the board moved into executive session for discussion of job performance, character, physical or mental health pursuant to RIGL 42-46-4 and 42-46-5(a)(1).

The board goes into executive session at 4:48 p.m.

At 5:30 p.m. the board emerges from executive session and resumes open session.

Mr. Inman moved and seconded by Mr. Giorgio that the board exit from executive session and that the minutes of the meeting shall remain under seal pursuant to RIGL 42-46-4 and 42-46-5

Upon Motion duly made and seconded, it was unanimously, by roll call vote,

VOTED: That the board exit from executive session and that the minutes of the meeting shall remain under seal pursuant to RIGL 42-46-4 and 42-46-5. Mr. Sullivan announces that a vote was taken in executive session to terminate Lisa Salisbury's employment with the KCWA for cause.

There being no further business before this meeting, on motion duly made by Mr. Inman, seconded by Mr. Giorgio and carried, the meeting was adjourned at 5:35 p.m.

Dated: November ____, 2013

Legal Counsel